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ABSTRACT

This publication for teachers focuses on one specific content area of consumer education--financial planning. The first major section begins by identifying eight competencies in financial planning education. It describes the financial planning process used to anticipate changes in moving from one stage of life to another, choosing the options, and developing a financial plan. Basic adult financial tasks and their outcomes that students will encounter as they pass through the stages of the life cycle are identified. A chart lists different life stages together with selected common financial tasks. A brief discussion of the benefits of financial planning concludes the first section. The second section presents the eight personal and family financial planning education competencies and four to thirteen supporting generalizations for each one. (YLB)

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Understanding Personal and Family Financial Planning Education

Education & Community Services
American Council of Life Insurance
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Introduction

Your students are not strangers to money. Indeed the value they place on it is considerable. According to a recent survey "security" and "good pay" are what young people consider most important in choosing a job or career, even more important than "stimulating and creative work."

But financial security often depends not so much on the amount in one's paycheck as on how well one manages it. The understanding of how financial needs and resources change over the life cycle is basic in achieving economic stability and security. Unfortunately, few people are born "financial planners." This process involves more than recordkeeping and buymanship — it encompasses planning for obtaining, protecting and using financial resources.

The factors influencing personal financial resources have become increasingly complex and in the last 10 years a strong emphasis on money management and financial planning has emerged. Today, as many as 37 states and the District of Columbia recommend some type of consumer education for students. Instruction in consumer education content can be provided in special consumer education courses as well as in other subject areas. Often the content is presented in social studies, language arts, home economics, business education, mathematics and economics.

Personal and family financial planning is a major component in many consumer education curricula. Considerable attention is given to topics that fall under the general headings of planning for money management, as well as obtaining, protecting and using financial resources. That is why we have prepared this booklet which focuses on understanding financial planning education. It describes the process used to anticipate changes in moving from one stage of life to another, choosing the options and developing a financial plan. It identifies competencies in financial planning education and basic adult financial tasks that students will encounter as they pass through the stages of the life cycle. A working knowledge of the process can help them and their families lead more satisfying lives.

Understanding Personal and Family Financial Planning

The study of personal and family financial planning involves the practical application of economic planning principles to managing individual and family resources at various life stages. Emphasis is placed upon planning for obtaining, protecting and using a wide range of financial resources in relation to anticipated changes in needs and responsibilities throughout one's personal and family life span. This process is applicable to all life stages and can be taught to any age group — from the youngster just entering elementary school to the retiree confronted with rising inflation.

Achieving the understanding and the ability to practice sound personal and family financial planning permits the individual to enhance his own and his family's quality of life. By developing these life coping skills the person becomes an effective family member, an educated consumer and an informed citizen.

A panel of educators has identified the following competencies* for the learner in financial planning education:

I. Analyze personal and family goals and priorities as they relate to financial planning

II. Assess a variety of financial resources pertinent to personal and family goals throughout the life span

III. Design a comprehensive personal or family financial plan reflecting defined goals, priorities and resources

IV. Use the financial plan as a means of expressing values, attaining goals and fulfilling established priorities

V. Apply principles of effective buying, borrowing, investing, saving, sharing and protecting in both immediate and long-term decisions

VI. Evaluate and change personal or family financial plans to meet changing social, economic and life span conditions

VII. Function effectively in the producer role to provide an income base on which the personal or family plan is structured

VIII. Assess potential financial risk and provide a plan for protecting against loss.

The competencies reflect a commitment to a broad conceptualization of personal and family financial planning.

The key to successful implementation of these financial planning competencies is an understanding of the unique financially related tasks that people at various stages of the life cycle encounter. Understanding future needs and responsibilities fosters an "anticipatory adjustment" approach to financial planning. This approach encourages people to anticipate changing needs and resources in order to maximize all of their financial resources.

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* See "Personal and Family Financial Education Competencies and Generalizations", pages 2-7, for an in-depth description.

The Financial Planning Process

Financial planning puts great emphasis on utilizing financial resources in ways that contribute to family stability and personal fulfillment throughout one's life. It focuses on the role of the person in the family, treating the household unit as consumer, protector or earner. Emphasis is placed on personal values as well as financial issues related to creating family financial plans.

The emphasis is on everyday activities, such as setting goals by anticipating what will be needed or wanted in the months and years ahead as well as next week. Recognizing what one feels is important (values), placing priorities on certain goals based on needs and allocating resources according to a plan — these are a few of the elements of financial planning.

Other elements include decision-making, not spur-of-the-moment decisions but decisions that are carefully thought out; keeping records of income and expenses and designing financial plans which can be invaluable when making financial decisions; and collecting information on the economic climate, investment options, tax laws and estate planning.

Developing strategies to meet long and short term goals is basic to and probably the most creative aspect of financial planning. Important, too, is "forecasting." When people can recognize that changes in living arrangements, needs, responsibilities, sources and amounts of income can be anticipated, they can begin to plan their financial resources.

The process of financial planning is based on several beliefs:

1. Our behavior reflects our values.
2. Values are translated into goals or expectations.
3. Goals are more likely to be achieved if there is a realistic plan for their attainment.

If setting goals is at one end of the financial planning process, evaluating the effectiveness of a financial plan is at the other. Periodically, the following questions should be asked: Are goals being met? Are earning-spending habits compatible? Is the plan helping me/us get the most for my/our money?

There are some basic financial tasks common to all people. Learning to deal with these tasks can help students enhance the quality of their lives as they move out of the classroom and into the working world. The chart below indicates some of the major financial tasks most young people will be called upon to perform as they move into the adult life stages, as well as the selected outcomes that successful performance will generate.

Basic Adult Financially Related Tasks and Selected Outcomes

Selected Outcomes	Tasks
1. To manage financial resources to meet changing responsibilities for self and others over the life cycle.	• Skills necessary to obtain, protect and use financial resources learned and used. • Income allocated between spending, borrowing, savings, protecting, investing and sharing for current and future stages. • Consumption expenditures appropriated between housing, food, transportation, clothing, medical, etc. • Personal and family values defined and goals planned. • Changes anticipated and related to ways financial resources are obtained, protected and used.
2. To cover risks.	• Life, health, liability and property insurance provided according to need and income. • Risk of income loss diminished. • Purchasing power and capital protected.
3. To provide lifelong learning needs.	• Training and education needs, options and goals determined. • Training and education financed.
4. To build a satisfying life style.	• Employment opportunities and career advancement achieved. • Personal, home and community environments balanced with needs, wishes and income. • Satisfying work environment created.
5. To assess public systems and institutions to increase real income.	• Use of available community and government resources maximized.
6. To utilize professional and legal counsel.	• Adequate legal, personal and economic advisors obtained. • Legal instruments understood and used.
7. To increase consumer proficiency.	• Marketplace competency developed. • Laws and regulations affecting consumer goods and services understood and used to advantage.

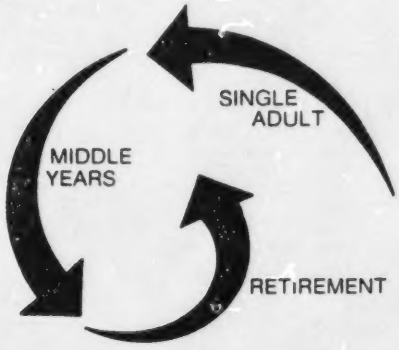
Financial planning embraces information from many disciplines. It contains aspects of sociology, psychology, finance, economics and communications and applies to persons of any age, income level, life style and family size.

Many teachers consider financial planning interdisciplinary and introduce planning concepts as illustrations, reviews, discussion topics and other activities in math, language arts, English or social studies. Others introduce financial planning in home economics or business courses.

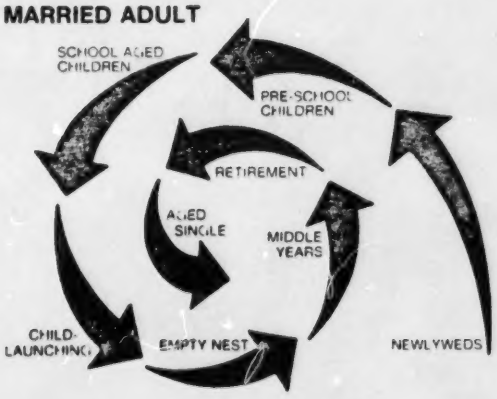
The Life Cycle

One of the easiest ways to illustrate financial planning as a lifetime process is to use a descriptive device known as the "family life cycle." Of course, not everyone's life follows this cycle, but because most seem to, it is a useful tool. The following illustrations identify two life styles — that of a single person and that of a family.

SINGLE-ADULT



MARRIED ADULT



Chance is an important concept for students to understand when developing a financial planning philosophy of their own In reviewing the life cycle charts, students begin to identify some of the changes that will occur as they move from one stage to another, how needs and wants differ at various stages, the types and combinations of resources available and life style adjustments.

Whether one is single or is a member of a household there are certain basic tasks that must be performed in regard to financial planning. (The chart on page 4 describes them). Some tasks, however, are more frequently found at one stage of the adult life cycle than another.

The variations and emphases on tasks are due to the very different needs which occur at different points in the life cycle. For example, a young man with responsibilities for himself only would have very different needs than the married father of three young children. Available sources of income vary over the life cycle of the young adult — a college student might have her allowance and a part-time job as her sources of income while the father of this young woman might obtain his income from his job, investments and an inheritance. The grandmother in the family might obtain her income from Social Security, inheritance, a pension and the proceeds of her deceased husband's life insurance policy. In addition to the varied sources of income, the different values and attitudes that people have also affect their financial planning and the use they make of their financial resources. It is not uncommon to find that people with the same incomes allocate their resources in very different ways. The way they do this accounts for the difference in life styles so frequently observed. Whatever the resources and the life style desired, planning must occur, for little can be accomplished without it.

Using the life cycle concept involves the students and motivates them to plan. The financial planning information taught in the schools should be related to life experience if it is to be meaningful. Students often have difficulty seeing the relevance of this information unless they are asked to think in terms of their family and the various life stages of the members, then the information takes on greater importance. Skills enabling students to apply this knowledge are developed through this process of instruction.

The different life stages are listed in the following chart. Along with each stage is a list of selected common financial tasks.

Financial Planning Throughout the Life Cycle

	Unique Financial Tasks
Age Group 13 to 17	• Develop plans for eventual independence • Evaluate future financial needs and resources • Explore career options • Develop an understanding of the financial system • Develop record keeping systems
Age Group 18 to 24	• Establish household • Train for career • Attain financial independence • Purchase risk coverage • Establish financial identity • Establish a savings program • Make a spending plan • Develop effective financial record keeping system • Develop an effective financial planning system
Age Group 25 to 34	• Provide for child bearing and rearing costs • Provide for expanding housing needs • Expand career goals • Manage increased need for credit • Provide for training education funds • Purchase additional protection coverages • Draw wills • Maximize financial management skill of all members of household
Age Group 35 to 44	• Upgrade career training • Continue to build education fund • Maximize head-of-household protection • Provide greater income for expanding needs • Establish and work toward retirement goals
Age Group 45 to 54	• Provide higher education/training for children • Maximize investments • Evaluate and update retirement plans • Communicate with family members about estate plans • Assess and explore estate plan
Age Group 55 to 64	• Consolidate financial assets • Provide for additional future security • Re-evaluate method of intended property transfer • Investigate part-time income or volunteer work for retirement • Assess housing location and expense for retirement • Meet responsibilities for aging parents or other dependents
Age Group 65 and over	• Re-evaluate and adjust living conditions and spending as they relate to health and income • Evaluate and adjust programs for increasing risks • Secure reliable assistance in managing personal and economic affairs • Finalize plan for sharing estate • Finalize letter of last instructions

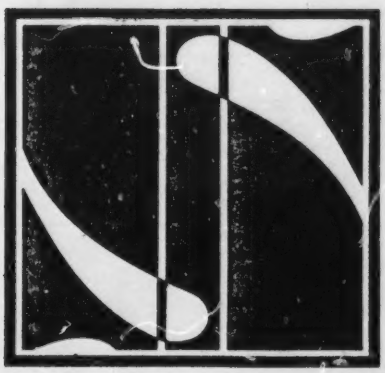
Benefits of Financial Planning

Many people feel that financial planning is only for persons who have a lot of money, but, in fact, even those with the smallest incomes can benefit from effective money management. Financial planning can foster a sense of security and stability in one's self or family that may not be found in families whose members are ignorant of the components of financial planning and thus, unable to perform financial planning tasks adequately.

Financial planning is not a one-time activity but a continuing process. It is only as effective as the individuals involved, who anticipate future financial needs and responsibilities and exercise some degree of self-discipline over their use of money to assure meeting these needs. In order to do so, people need to understand the components, from the routine of recordkeeping to the creative development of a personal philosophy for obtaining, protecting and using financial resources.

Involving oneself in financial planning carries with it the possibility of personal fulfillment and satisfaction gained by successfully working toward goals. Successful planning also permits a certain measure of control over one's life. Understanding alternatives allows people to pursue strategies to meet certain needs and to release them from the fear of not being able "to make ends meet." Understanding financial planning, being aware of the myriad ways of obtaining, protecting and using financial resources, and utilizing them, allows people to pursue goals without fear of being "wiped out" by life's risks.

Personal and Family Financial Education Competencies and Generalizations



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AMERICAN COUNCIL OF LIFE INSURANCE
PERSONAL AND FAMILY FINANCIAL PLANNING EDUCATION

The study of personal and/or family financial planning involves the practical application of economic principles to managing individual and/or family resources at various life stages.

Emphasis is placed upon planning for obtaining, protecting and using a wide range of financial resources in relation to anticipated changes in needs and responsibilities throughout the personal and family life span.

Competencies*

I. ANALYZE PERSONAL AND FAMILY GOALS AND PRIORITIES AS THEY RELATE TO FINANCIAL PLANNING

II. ASSESS A VARIETY OF FINANCIAL RESOURCES PERTINENT TO PERSONAL AND FAMILY GOALS THROUGHOUT THE LIFE SPAN

III. DESIGN A COMPREHENSIVE PERSONAL OR FAMILY - FINANCIAL PLAN REFLECTING DEFINED GOALS, PRIORITIES AND RESOURCES

IV. USE THE FINANCIAL PLAN AS A MEANS OF EXPRESSING VALUES, ATTAINING GOALS AND FULFILLING ESTABLISHED PRIORITIES

V. APPLY PRINCIPLES OF EFFECTIVE BUYING, BORROWING INVESTING, SAVING, SHARING AND PROTECTING IN BOTH IMMEDIATE AND LONG-TERM DECISIONS

VI. EVALUATE AND CHANGE PERSONAL OR FAMILY FINANCIAL PLANS TO MEET CHANGING SOCIAL, ECONOMIC AND LIFE SPAN CONDITIONS

VII. FUNCTION EFFECTIVELY IN THE PRODUCER ROLE TO PROVIDE AN INCOME BASE ON WHICH THE PERSONAL OR FAMILY PLAN IS STRUCTURED

VIII. ASSESS POTENTIAL FINANCIAL RISK AND PROVIDE A PLAN FOR PROTECTING AGAINST LOSS

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* The competencies reflect a commitment to a broad conceptualization of personal and family financial planning. They were developed by Prof. William Hug, University of Georgia; Prof. Lois Guthrie, Montclair State College; Prof. C. Raymond Anderson, University of Maryland; Dr. Iris M. Elfenbein, and Ms. Regina Dolan, American Council of Life Insurance.

Competencies and Generalizations

I ANALYZE PERSONAL AND FAMILY GOALS AND PRIORITIES AS THEY RELATE TO FINANCIAL PLANNING

Supporting generalizations are:

1. Planning helps to make the decisions that lead to a balance of resources against needs and wants for the present and the future.
2. Family buying practices are improved when there is self-awareness and understanding of needs and wants.
3. Each family has a responsibility to share time, resources, goods and services as they contribute to the well-being of the family.
4. The pooling of resources can result in the sharing of greater benefits by the individual and family.
5. Personal goals and priorities reflect the individual's values which develop from one's life space. (Examples of life space forces are social and economic conditions, heredity, family, peers, institutions and media.)
6. The function of financial planning is to maximize options for obtaining, protecting and using financial resources in ways that enhance personal and family life.
7. Planning financial resources in an earlier stage can increase the number and strength of those resources at a later stage.
8. Personal and family needs, resources for financial security and risks linked to these resources are continuously changing and must be accommodated to maintain financial stability.
9. Financial planning can help reduce negative change, can help maximize positive change and can help individuals and families accept change.
10. Satisfaction derived from the use of financial resources is directly related to the extent to which the uses fulfill individual and family values and goals.

II ASSESS A VARIETY OF FINANCIAL RESOURCES PERTINENT TO PERSONAL AND FAMILY GOALS THROUGHOUT THE LIFE SPAN

Supporting generalizations are:

1. Planning provides a vehicle for the establishment of priorities to satisfy personal, business and societal needs and wants.
2. The influence of the family on economic trends implies the need for an informed family unit that will contribute intelligently to the continuing process of balancing supply and demand.
3. Government controls designed to influence trends may increase or decrease the family's buying power.
4. The conservation and protection of goods and resources can be accomplished through careful planning by individuals and families.

III DESIGN A COMPREHENSIVE PERSONAL OR FAMILY FINANCIAL PLAN REFLECTING DEFINED GOALS, PRIORITIES AND RESOURCES

Supporting generalizations are:

1. Financial plans are strategies for the allocation of resources to achieve personal and family goals.
2. Personal and family financial plans help reduce the conflicts among wants and needs.
3. Each family's financial plan will differ according to available resources and priorities for their use.
4. The appropriateness of a financial design is dependent on the variety and number of resources, the nature of personal and family goals and the degree to which it may be necessary to maintain records.
5. Budgeting income and expenditures is an aspect of planning that maximizes the consumption potential for improving the standard of living of an individual or a family.
6. The management of family money can create increased satisfaction at all income levels.

IV USE THE FINANCIAL PLAN AS A MEANS OF EXPRESSING VALUES, ATTAINING GOALS AND FULFILLING ESTABLISHED PRIORITIES

Supporting generalizations are:

1. Personal and family financial plans provide information for making decisions regarding activities such as spending, saving, and investing to achieve goals.
2. A financial plan is a system of organizing and controlling resources to evaluate the consequences of day-to-day decisions for their effects on long-term commitments and priorities.
3. What the family buys is governed by a complex decision-making process which involves needs and wants, the degree to which there is motivation to fulfill these needs and wants, the availability of products and services and an acceptable means of exchange.
4. Effective use of financial resources is judged by the degree goals are realized rather than the process employed.
5. It is difficult for the family to evaluate the quality of its buying decisions against the quality of purchases because of changing technology and because advertising, careless handling of goods, poor credit practices and shoplifting add to the real price of goods and services.
6. Investing in good health, knowledge and education is a basic means for goal accomplishments available to families. It will pay tangible and intangible dividends throughout life.

V APPLY PRINCIPLES OF EFFECTIVE BUYING, BORROWING, INVESTING, SAVING, SHARING AND PROTECTING IN BOTH IMMEDIATE AND LONG-TERM DECISIONS

Supporting generalizations are:

1. What is produced, how much is produced and how products are distributed are affected by individual buying practices.
2. An awareness of the value of using current resources to gain future rewards leads to the process of saving and investing. The investment of resources, labor, time or money can result in the enrichment of the family and its environment.
3. Individuals, families, businesses and governments borrow such things as goods, services, time and money in order to satisfy their needs and wants.
4. Both borrower and lender assume risks and responsibilities in the borrowing process.
5. There are risks and hazards in everyday life, and there are varying types of protection available to the family to enable it to reduce the impact of these risks and hazards according to values and life styles.
6. Through insurance, the burden of risk is shared by many. For this reason, insurance of persons and property is an economical, efficient and widespread method used for protecting people and resources.
7. The universality of human need for security is a dominant force in the establishment and regulation of the protection agencies.
8. Services which are collectively consumed require collective cost-sharing through taxes.
9. The process of investing involves the investor in activities which may enhance self-discipline, patience, trust and personal stability.
10. Investment by the individual or family in stocks, bonds and insurance is one of the keystones of the American free enterprise system. It results in the sharing of both the risks and profits of productive enterprise and provides opportunity for money to earn money.
11. The purchase of a house represents a form of investment for potential profit combined with fulfillment of the need for shelter.
12. Financial security is threatened by the risks individuals take which in turn are influenced by their attitudes toward self, family, work, law and society in general.
13. Government, organizations, agencies, institutions, industry, groups and individuals share in the responsibility for the adequacy and protection of financial resources. Examples of this responsibility include government monetary policy, foreign policy, legislation, Social Security, retirement benefits, life and health insurance, minimum wage laws, unemployment insurance, income supplements and workmen's compensation.

VI EVALUATE AND CHANGE PERSONAL OR FAMILY FINANCIAL PLANS TO MEET CHANGING SOCIAL, ECONOMIC AND LIFE SPAN CONDITIONS

Supporting generalizations are:

1. Planning is the allocation of resources according to a system of values to which one subscribes. When change occurs in the value structure it is accompanied by the reallocation of resources.
2. Planning the use and allocation of resources for the family's future involves decisions expressed through insurance and retirement programs and estate planning.
3. At each stage of the life cycle the variety of financial resources available are different, and the accompanying needs and wants of the individual or family are different.
4. Goals change over time and are achieved by using a combination of resources that vary from one time to another.
5. Contingencies, such as death in the family, birth of a child, illness, war, change of job, inheritance, fire or auto accident have an impact on financial resources forcing a change in the way resources are obtained, used and protected.
6. Change can be expected in all major factors, internal as well as external, that affect a family's financial affairs.

VII FUNCTION EFFECTIVELY IN THE PRODUCER ROLE TO PROVIDE AN INCOME BASE ON WHICH THE PERSONAL OR FAMILY FINANCIAL PLAN IS STRUCTURED

Supporting generalizations are:

1. The reality of unlimited wants with limited income is a basic economic condition of each individual and family.
2. In most cases, the nature of one's work provides the basic income for, and strongly influences the scope and availability of, financial resources.
3. Satisfaction derived from work that produces financial resources is directly related to the extent to which the work or the use of the financial resources fulfill individual values and goals.
4. Financial security is contingent on the effective accomplishment and balance of both consumer and producer roles.
5. Knowledge, abilities, attitudes and skills must be acquired to maximize resources and are directly related to the extent to which they fulfill individual values and goals.
6. Purchasing power is directly related to the effectiveness of both earning and using money.

VIII ASSESS POTENTIAL FINANCIAL RISK AND PROVIDE A PLAN FOR PROTECTING AGAINST LOSS

Supporting generalizations are:

1. There are risks and hazards in everyday life, and there are varying types of protection available to the family to enable it to reduce the impact of these risks and hazards according to values and life styles.
2. The long-term success of a family financial plan depends upon minimizing risks.
3. Through insurance, the burden of risks is shared by many. For this reason, insurance of persons and property is an economical, efficient and widespread method used for protecting people and resources.
4. Financial security is threatened by the risks individuals take which in turn are influenced by their attitudes toward self, family, work, law and society in general.
5. Family and financial changes across the life span necessitate reevaluation of financial risks and risk management techniques.
6. The universality of human need for security is a dominant force in the establishment and regulation of the protection agencies.
7. Insurance is one resource which can be included in a risk management plan.